

County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012 (213) 974-1101 http://cao.co.la.ca.us

January 25 2005

Board of Supervisors GLORIA MOLINA First District

YVONNE B. BURKE Second District

ZEV YAROSLAVSKY Third District

DON KNABE Fourth District

MICHAEL D. ANTONOVICH

Fifth District

To:

Supervisor Gloria Molina, Chair

Supervisor Yvonne B. Burke Supervisor Zev Yaroslavsky

Supervisor Don Knabe

Supervisor Michael D. Antonovich

From:

David E. Janssen

Chief Administrative/Officer

SACRAMENTO UPDATE

Health Authority Legislation

AB 166 (Ridley-Thomas), as introduced on January 19, 2005, would authorize Los Angeles County, by ordinance, to establish a health authority to "manage, administer, and control" the DHS health care facilities. The bill appears to be patterned on the State Health and Safety Code provisions which authorized the Alameda County Medical Center Hospital Authority. Some notable provisions of AB 166 are: the Board of Supervisors would have appointing power for the health authority board; the health authority would be a public agency and could have legal ownership of facilities; and the health authority would be required to recognize represented employees and their organizations under the Myers-Milias-Brown Act. AB 166 would also require a personnel transition plan for employees, and require the health authority to abide by the County's contracts with labor organizations until expiration, whereas successor agreements would be solely negotiated by the authority.

Significantly, AB 166 seeks to ensure that patient care revenues and subsidies (e.g., Medi-Cal Disproportionate Share Hospital payments, Proposition 99 funds) currently received by DHS facilities are maintained, but it does not provide the health authority with an independent revenue base nor relieve the County of its indigent care obligation under Section 17000 of the State Welfare and Institutions Code.

My office will be conducting an analysis of AB 166, and will report back along with the other issues as part of the Board's instruction of January 11, 2005 to study aspects of DHS governance. The text of AB 166 is attached. The bill has not yet been referred to a committee, and there is no registered support or opposition.

Briefing on the Fiscal Condition of the County Department of Health Services

Our Sacramento Advocates have scheduled a briefing for members and staff of the County's Legislative Delegation on the Department of Health Services' (DHS) fiscal condition. Dr. Thomas Garthwaite, DHS Director, will conduct the briefing on Tuesday, February 15, 2005 from 2:00 p.m. to 3:30 p.m. in Room 447 in the State Capitol.

Assembly Budget Committee Hearing

Assembly Budget Committee Chair John Laird has announced that Finance Director Tom Campbell and Legislative Analyst Elizabeth Hill will testify at the Committee's first hearing on the Governor's Budget on January 26, 2005. He also indicated that Budget Subcommittees will begin meeting as early as the week of February 7, 2005, a month earlier than in the past, because initial overviews have already been completed by the Committee and the Legislative Analyst.

Pursuit of Position on County-Interest Legislation

AB 126 (Dymally), as introduced on January 13, 2005, would require counties to ensure that the availability of services and quality of treatment received by indigent patients is equivalent to the care received by non-indigent patients in private facilities. The bill would also change the Beilenson process to require counties to make a finding that closing, eliminating, or reducing indigent health care services will not have a detrimental impact on the health care needs of indigent people in the county.

Based on a review by my office, DHS, and County Counsel, AB 126 could impose a service requirement that is either higher than current DHS operations or greater than the County's ability to finance. Additionally, AB 126 has the potential to further limit the County's ability to restructure its health care system, even in the event of financial distress, because it reinstitutes the "community standard of care" requirements and findings that previously were eliminated by the Legislature.

Legislative Counsel notes that AB 126 imposes a State-mandated local program. This is significant because under the new State-county relationship established by the passage of Proposition 1A, the State is financially obligated to fund any unfunded mandate, including the mandate that would be created by AB 126 or similar measures. If the State does not fund a new mandate within one fiscal year, it would be suspended. However, it is unclear whether the State would agree that costs incurred by the County as a result of AB 126 limiting the County's ability to restructure its health care system would constitute a State-mandated local program.

Because we are in the early stages of understanding the full reach of Proposition 1A, and because AB 126 could nonetheless impose new costs on the County, DHS recommends that **our Sacramento Advocates oppose AB 126**, **and we concur**. Opposition is consistent with policy in the State Legislative Agenda adopted by the

Each Supervisor January 25, 2005 Page 3

Board on January 11, 2005 to oppose unfunded mandates. AB 126 has been referred to the Assembly Committee on Health. There is no registered support or opposition.

Safe Surrender Law

In 2004, the County sponsored **SB 1413 (Brulte and Scott)** to provide immunity from liability to a person who assists in the safe surrender of an infant. The County also sought to delete or extend the sunset provision of the Safe Surrender Law, which would become effective on January 1, 2006. Because SB 1413 was signed into law on July 5, 2004, but did not address the sunset provision, our Sacramento advocates will continue to seek an author to delete or extend that provision.

We will continue to keep you advised.

DEJ:GK MAL:JF:MS:ib

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
Local 660
All Department Heads
Legislative Strategist
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

ASSEMBLY BILL

No. 166

Introduced by Assembly Member Ridley-Thomas

January 19, 2005

An act to add Chapter 5.5 (commencing with Section 101855) to Part 4 of Division 101 of the Health and Safety Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

AB 166, as introduced, Ridley-Thomas. Los Angeles County hospital authority.

Existing law authorizes the board of supervisors of certain counties to establish a hospital authority for the management, administration, and control of certain medical facilities.

This bill would authorize the Board of Supervisors of the County of Los Angeles to establish, by ordinance, a hospital authority to manage, administer, and control public hospitals and other medical facilities within the jurisdiction of that county.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Chapter 5.5 (commencing with Section 101855)
- 2 is added to Part 4 of Division 101 of the Health and Safety Code,
- 3 to read:

AB 166 — 2 —

Chapter 5.5. Los Angeles County Hospital Authority

1 2 3

101855. (a) The Legislature finds and declares that because there is no general law under which a Los Angeles County hospital authority could be formed, the adoption of a special act and the formation of a special authority is required.

- (b) The following definitions shall apply for purposes of this chapter:
 - (1) "County" means the County of Los Angeles.
- (2) "Governing board" means the governing body of the hospital authority.
- (3) "Hospital authority" means the separate public agency established by the Board of Supervisors of Los Angeles County to manage, administer, and control the Los Angeles County medical centers.
- (4) "Medical centers" means those public hospitals and other medical facilities under the direction of the Board of Supervisors of the County of Los Angeles.
- (c) The board of supervisors of the county may, by ordinance, establish a hospital authority separate and apart from the county for the purpose of effecting a transfer of the management, administration, and control of the medical centers in accordance with Section 14000.2 of the Welfare and Institutions Code. A hospital authority established pursuant to this chapter shall be strictly and exclusively dedicated to the management, administration, and control of the medical centers within parameters set forth in this chapter, and in the ordinance, bylaws, and contracts adopted by the board of supervisors which shall not be in conflict with this chapter, Section 1442.5 of this code, or Section 17000 of the Welfare and Institutions Code.
- (d) A hospital authority established pursuant to this chapter shall be governed by a board that is appointed, both initially and continually, by the Board of Supervisors of the County of Los Angeles. This hospital authority governing board shall reflect both the expertise necessary to maximize the quality and scope of care at the medical centers in a fiscally responsible manner and the diverse interest that the medical centers serve. The enabling ordinance shall specify the membership of the hospital authority governing board, the qualifications for individual members, the manner of appointment, selection, or removal of governing board

-3- AB 166

members, their terms of office, and all other matters that the board of supervisors deems necessary or convenient for the conduct of the hospital authority's activities.

- (e) The mission of the hospital authority shall be the management, administration, and other control, as determined by the board of supervisors, of the group of public hospitals, clinics, and programs that comprise the medical centers, in a manner that ensures appropriate, quality, and cost–effective medical care as required of counties by Section 17000 of the Welfare and Institutions Code, and, to the extent feasible, other populations, including special populations in Los Angeles County.
- (f) The board of supervisors shall adopt bylaws for the medical centers that set forth those matters, related to the operation of the medical centers by the hospital authority, that the board of supervisors deems necessary and appropriate. The bylaws shall become operative upon approval by a majority vote of the board of supervisors. Any changes or amendments to the bylaws shall be by majority vote of the board of supervisors.
- (g) The hospital authority created and appointed pursuant to this chapter is a duly constituted governing body within the meaning of Section 1250 and Section 70035 of Title 22 of the California Code of Regulations as currently written or subsequently amended.
- (h) Unless otherwise provided by the board of supervisors by way of resolution, the hospital authority is empowered, or the board of supervisors is empowered on behalf of the hospital authority, to apply as a public agency for one or more licenses for the provision of health care pursuant to statutes and regulations governing licensing as currently written or subsequently amended.
- (i) In the event of a change of license ownership, the governing body of the hospital authority shall comply with the obligations of governing bodies of general acute care hospitals generally as set forth in Section 70701 of Title 22 of the California Code of Regulations, as currently written or subsequently amended, as well as the terms and conditions of the license. The hospital authority shall be the responsible party with respect to compliance with these obligations, terms, and conditions.

AB 166 —4—

(j) (1) Any transfer by the county to the hospital authority of the administration, management, and control of the medical centers, whether or not the transfer includes the surrendering by the county of the existing general acute care hospital license and corresponding application for a change of ownership of the license, shall not affect the eligibility of the county, or in the case of a change of license ownership, the hospital authority, to do any of the following:

- (A) Participate in, and receive allocations pursuant to, the California Healthcare for the Indigent Program (CHIP).
- (B) Receive supplemental reimbursements from the Emergency Services and Supplemental Payments Fund created pursuant to Section 14085.6 of the Welfare and Institutions Code.
- (C) Receive appropriations from the Medi-Cal Inpatient Payment Adjustment Fund without relieving the county of its obligation to make intergovernmental transfer payments related to the Medi-Cal Inpatient Payment Adjustment Fund pursuant to Section 14163 of the Welfare and Institutions Code.
- (D) Receive Medi-Cal capital supplements pursuant to Section 14085.5 of the Welfare and Institutions Code.
- (E) Receive any other funds that would otherwise be available to a county hospital.
- (2) Any transfer described in paragraph (1) shall not otherwise disqualify the county, or in the case of a change in license ownership, the hospital authority, from participating in any of the following:
- (A) Other funding sources either specific to county hospitals or county ambulatory care clinics or for which there are special provisions specific to county hospitals or to county ambulatory care clinics.
- (B) Funding programs in which the county, on behalf of the medical centers and the Los Angeles County Department of Health Services, had participated prior to the creation of the hospital authority, or would otherwise be qualified to participate in had the hospital authority not been created, and administration, management, and control not been transferred by the county to the hospital authority, pursuant to this chapter.
- (k) A hospital authority created pursuant to this chapter shall be a legal entity separate and apart from the county and shall file the statement required by Section 53051 of the Government

-5- AB 166

Code. The hospital authority shall be a government entity separate and apart from the county, and shall not be considered to be an agency, division, or department of the county. The hospital authority shall not be governed by, nor be subject to, the charter of the county and shall not be subject to policies or operational rules of the county, including, but not limited to, those relating to personnel and procurement.

- (1) (1) Any contract executed by and between the county and the hospital authority shall provide that liabilities or obligations of the hospital authority with respect to its activities pursuant to the contract shall be the liabilities or obligations of the hospital authority, and shall not become the liabilities or obligations of the county.
- (2) Any liabilities or obligations of the hospital authority with respect to the liquidation or disposition of the hospital authority's assets upon termination of the hospital authority shall not become the liabilities or obligations of the county.
- (3) Any obligation of the hospital authority, statutory, contractual, or otherwise, shall be the obligation solely of the hospital authority and shall not be the obligation of the county or the state.
- (m) (1) Notwithstanding any other provision of this chapter, any transfer of the administration, management, or assets of the medical centers, whether or not accompanied by a change in licensing, shall not relieve the county of the ultimate responsibility for indigent care pursuant to Section 17000 of the Welfare and Institutions Code or any obligation pursuant to Section 1442.5.
- (2) Any contract executed by and between the county and the hospital authority shall provide for the indemnification of the county by the hospital authority for liabilities as specifically set forth in the contract, except that the contract shall include a provision that the county shall remain liable for its own negligent acts.
- (3) Indemnification by the hospital authority shall not be construed as divesting the county from its ultimate responsibility for compliance with Section 17000 of the Welfare and Institutions Code.
- (n) Notwithstanding the provisions of this chapter relating to the obligations and liabilities of the hospital authority, a transfer

AB 166 — 6 —

of control or ownership of the medical centers shall confer onto the hospital authority all the rights and duties set forth in state law with respect to hospitals owned or operated by a county.

- (o) (1) A transfer of the maintenance, operation, and management or ownership of the medical centers to the hospital authority shall comply with the provisions of Section 14000.2 of the Welfare and Institutions Code.
- (2) A transfer of maintenance, operation, and management or ownership to the hospital authority may be made with or without the payment of a purchase price by the hospital authority and otherwise upon the terms and conditions that the parties may mutually agree, which terms and conditions shall include those found necessary by the board of supervisors to ensure that the transfer will constitute an ongoing material benefit to the county and its residents.
- (3) A transfer of the maintenance, operation, and management to the hospital authority shall not be construed as empowering the hospital authority to transfer any ownership interest of the county in the medical centers except as otherwise approved by the board of supervisors.
- (p) The board of supervisors shall retain control over the use of the medical centers physical plant and facilities, except as otherwise specifically provided for in lawful agreements entered into by the board of supervisors. Any lease agreement or other agreement between the county and the hospital authority shall provide that county premises shall not be sublet without the approval of the board of supervisors.
- (q) The statutory authority of a board of supervisors to prescribe rules that authorize a county hospital to integrate its services with those of other hospitals into a system of community service that offers free choice of hospitals to those requiring hospital care, as set forth in Section 14000.2 of the Welfare and Institutions Code, shall apply to the hospital authority upon a transfer of maintenance, operation, and management or ownership of the medical centers by the county to the hospital authority.
- (r) The hospital authority may acquire and possess real or personal property and may dispose of real or personal property other than that owned by the county, as may be necessary for the performance of its functions. The hospital authority shall have

-7- AB 166

the power to sue or be sued, to employ personnel, and to contract for services required to meet its obligations.

- (s) Any agreement between the county and the hospital authority shall provide that all existing services provided by the medical centers continue to be provided to the county through the medical centers subject to the policy of the county and consistent with the county's obligations under Section 17000 of the Welfare and Institutions Code.
- (t) A hospital authority to which the maintenance, operation, and management or ownership of the medical centers are transferred shall be a "district" within the meaning set forth in the County Employees Retirement Law of 1937 (Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3 of the Government Code). Employees of a hospital authority are eligible to participate in the County Employees Retirement System to the extent permitted by law.
- (u) Members of the governing board of the hospital authority shall not be vicariously liable for injuries caused by the act or omission of the hospital authority to the extent that protection applies to members of governing boards of local public entities generally under Section 820.9 of the Government Code.
- (v) The hospital authority shall be a public agency subject to the Myers-Milias-Brown Act (Chapter 10 (commencing with Section 3500) of Division 4 of Title 1 of the Government Code).
- (w) Any transfer of functions from county employee classifications to a hospital authority established pursuant to this chapter shall result in the recognition by the hospital authority of the employee organization that represented the classifications performing those functions at the time of the transfer.
- (x) (1) In exercising its powers to employ personnel, as set forth in subdivision (q), the hospital authority shall implement, and the board of supervisors shall adopt, a personnel transition plan. The personnel transition plan shall require all of the following:
- (A) Ongoing communications to employees and recognized employee organizations regarding the impact of the transition on existing medical center employees and employee classifications.
 - (B) Meeting and conferring on all of the following issues:
- (i) The timeframe for which the transfer of personnel shall occur. The timeframe shall be subject to modification by the

AB 166 —8—

board of supervisors as appropriate, but in no event shall it
exceed one year from the effective date of transfer of governance
from the board of supervisors to the hospital authority.

- (ii) A specified period of time during which employees of the county impacted by the transfer of governance may elect to be appointed to vacant positions with the Los Angeles County health care system for which they have tenure.
- (iii) A specified period of time during which employees of the county impacted by the transfer of governance may elect to be considered for reinstatement into positions with the county for which they are qualified and eligible.
- (iv) Compensation for vacation leave and compensatory leave accrued while employed with the county in a manner that grants affected employees the option of either transferring balances or receiving compensation to the degree permitted employees laid off from service with the county.
- (v) A transfer of sick leave accrued while employed with the county to hospital authority employment.
- (vi) The recognition by the hospital authority of service with the county in determining the rate at which vacation accrues.
- (vii) The possible preservation of seniority, pensions, health benefits, and other applicable accrued benefits of employees of the county impacted by the transfer of governance.
- (2) Nothing in this subdivision shall be construed as prohibiting the hospital authority from determining the number of employees, the number of full—time equivalent positions, the job descriptions, and the nature and extent of classified employment positions.
- (3) Employees of the hospital authority are public employees for purposes of Division 3.6 (commencing with Section 810) of Title 1 of the Government Code relating to claims and actions against public entities and public employees.
- (y) Any hospital authority created pursuant to this chapter shall be bound by the terms of the memorandum of understanding executed by and between the county and health care and management employee organizations that is in effect as of the date this legislation becomes operative in the county. Upon the expiration of the memorandum of understanding, the hospital authority shall have sole authority to negotiate subsequent memorandums of understanding with appropriate employee

-9- AB 166

organizations. Subsequent memorandums of understanding shall be approved by the hospital authority.

- (z) The hospital authority created pursuant to this chapter may borrow from the county and the county may lend the hospital authority funds or issue revenue anticipation notes to obtain those funds necessary to operate the medical centers and otherwise provide medical services.
- (ab) The hospital authority shall be subject to state and federal taxation laws that are applicable to counties generally.
- (ab) The hospital authority, the county, or both, may engage in marketing, advertising, and promotion of the medical and health care services made available to the community at the medical centers.
- (ac) The hospital authority shall not be a "person" subject to suit under the Cartwright Act (Chapter 2 (commencing with Section 16700) of Part 2 of Division 7 of the Business and Professions Code).
- (ad) Notwithstanding Article 4.7 (commencing with Section 1125) of Chapter 1 of Division 4 of Title 1 of the Government Code relating to incompatible activities, no member of the hospital authority administrative staff shall be considered to be engaged in activities inconsistent and incompatible with his or her duties as a result of employment or affiliation with the county.
- (ae) (1) The hospital authority may use a computerized management information system in connection with the administration of the medical centers.
- (2) Information maintained in the management information system or in other filing and records maintenance systems that is confidential and protected by law shall not be disclosed except as provided by law.
- (3) The records of the hospital authority, whether paper records, records maintained in the management information system, or records in any other form, that relate to trade secrets or to payment rates or the determination thereof, or which relate to contract negotiations with providers of health care, shall not be subject to disclosure pursuant to the California Public Records Act (Chapter 5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code). The transmission of the records, or the information contained therein in an alternative

AB 166 — 10 —

form, to the board of supervisors shall not constitute a waiver of exemption from disclosure, and the records and information once transmitted shall be subject to this same exemption. The information, if compelled pursuant to an order of a court of competent jurisdiction or administrative body in a manner permitted by law, shall be limited to in—camera review, which, at the discretion of the court, may include the parties to the proceeding, and shall not be made a part of the court file unless sealed.

- (af) (1) Notwithstanding any other law, the governing board may order that a meeting held solely for the purpose of discussion or taking action on hospital authority trade secrets, as defined in subdivision (d) of Section 3426.1 of the Civil Code, shall be held in closed session. The requirements of making a public report of actions taken in closed session and the vote or abstention of every member present may be limited to a brief general description devoid of the information constituting the trade secret.
- (2) The governing board may delete the portion or portions containing trade secrets from any documents that were finally approved in the closed session that are provided to persons who have made the timely or standing request.
- (3) Nothing in this chapter shall be construed as preventing the governing board from meeting in closed session as otherwise provided by law.
- (ag) Open sessions of the hospital authority shall constitute official proceedings authorized by law within the meaning of Section 47 of the Civil Code. The privileges set forth in that section with respect to official proceedings shall apply to open sessions of the hospital authority.
- (ah) The hospital authority shall be a public agency for purposes of eligibility with respect to grants and other funding and loan guarantee programs. Contributions to the hospital authority shall be tax deductible to the extent permitted by state and federal law. Nonproprietary income of the hospital authority shall be exempt from state income taxation.
- (ai) Contracts by and between the hospital authority and the state and contracts by and between the hospital authority and providers of health care, goods, or services may be let on a nonbid basis and shall be exempt from Chapter 2 (commencing

-- 11 ---**AB 166**

with Section 10290) of Part 2 of Division 2 of the Public 2 Contract Code.

1

3

5

7

9

10 11

12 13

14 15

16

17

18

19 20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35 36

- (aj) (1) Provisions of the Evidence Code, the Government Code, including the Public Records Act (Chapter 5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), the Civil Code, the Business and Professions Code, and other applicable law pertaining to the confidentiality of peer review activities of peer review bodies shall apply to the peer review activities of the hospital authority. Peer review proceedings shall constitute an official proceeding authorized by law within the meaning of Section 47 of the Civil Code and those privileges set forth in that section with respect to official proceedings shall apply to peer review proceedings of the hospital authority. If the hospital authority is required by law or contractual obligation to submit to the state or federal government peer review information or information relevant to the credentialing of a participating provider, that submission shall not constitute a waiver of confidentiality. The laws pertaining to the confidentiality of peer review activities shall be together construed as extending, to the extent permitted by law, the maximum degree of protection of confidentiality.
- (2) Notwithstanding any other law, Section 1461 shall apply to hearings on the reports of hospital medical audit or quality assurance committees.
- (ak) The hospital authority shall carry general liability insurance to the extent sufficient to cover its activities.
- (al) In the event the board of supervisors determines that the hospital authority should no longer function for the purposes as set forth in this chapter, the board of supervisors may, by ordinance, terminate the activities of the hospital authority and expire the hospital authority as an entity.
- (am) A hospital authority which is created pursuant to this section but which does not obtain the administration, management, and control of the medical centers or which has those duties and responsibilities revoked by the board of supervisors shall not be empowered with the powers enumerated in this chapter.
- 38 (an) (1) The county shall establish baseline data reporting 39 requirements for the medical centers consistent with the 40 Medically Indigent Health Care Reporting System (MICRS)

AB 166 — 12 —

1 program established pursuant to Section 16910 of the Welfare

- 2 and Institutions Code and shall collect that data for at least one
- 3 year prior to the final transfer of the medical centers to the
- 4 hospital authority established pursuant to this chapter. The
- 5 baseline data shall include, but not be limited to, all of the 6 following:
 - (A) Inpatient days by facility by quarter.
 - (B) Outpatient visits by facility by quarter.
 - (C) Emergency room visits by facility by quarter.
 - (D) Number of unduplicated users receiving services within the medical centers.
 - (2) Upon transfer of the medical centers, the county shall establish baseline data reporting requirements for each of the medical centers inpatient facilities consistent with data reporting requirements of the Office of Statewide Health Planning and Development, including, but not limited to, monthly average daily census by facility for all of the following:
 - (A) Acute care, excluding newborns.
 - (B) Newborns.

- (C) Skilled nursing facility, in a distinct part.
- (3) From the date of transfer of the medical centers to the hospital authority, the hospital authority shall provide the county with quarterly reports specified in paragraphs (1) and (2) and any other data required by the county. The county, in consultation with health care consumer groups, shall develop other data requirements that shall include, at a minimum, reasonable measurements of the changes in medical care for the indigent population of Los Angeles County that result from the transfer of the administration, management, and control of the medical centers from the county to the hospital authority.